

# MANAGEMENT'S DISCUSSION AND ANALYSIS



The *Management's Discussion and Analysis* (MD&A) section is required supplementary information to the financial statements and provides a high-level overview of the Social Security Administration. The MD&A describes who we are, what we do, and how well we meet our established goals.

The *Overview of the Social Security Administration* section highlights our mission as set forth in our *Agency Strategic Plan*. In this section, we identify the major programs we administer and provide a brief explanation of our organization.

The next section, *Overview of Our Fiscal Year 2014 Goals and Results*, provides a high-level discussion of our goals and our key mission results. This section links our agency-wide Strategic Goals with our Priority Goals, displays our fiscal year 2014 operating expenses by Strategic Goal, highlights how our results contribute to achieving our Strategic Goals and Objectives, and discusses how we plan to address the challenges we face.

In addition, the MD&A also addresses our financial performance in the *Highlights of Financial Position* section. We provide an overview of our financial data and explain the major sources and uses of our funds, as well as the use of these resources in terms of both program and function. We also provide an overview of our Social Insurance data, discuss the solvency of the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) Trust Funds, and indicate the projections for short-term and long-term financing of the OASI and DI Trust Funds. We end this section with a summary of our progress in addressing improper payments.

Finally, the *Systems and Controls* section describes the actions we have taken to address our management control responsibilities. The Management Assurances section provides our assurances related to the *Federal Managers' Financial Integrity Act* and the determination of our compliance with the *Federal Financial Management Improvement Act*. We also address the results of the audit of our financial statements and compliance with the *Federal Information Security Management Act*.

# OVERVIEW OF THE SOCIAL SECURITY ADMINISTRATION

## OUR MISSION

*Deliver Social Security services that meet the changing needs of the public*

## SOCIAL SECURITY BENEFITS AMERICA

The programs we administer provide a financial safety net for millions of Americans, and many people consider them the most successful large-scale Federal programs in our Nation's history. In fact, 9 out of 10 individuals age 65 and older receive Social Security benefits. During fiscal year (FY) 2014, we paid more than \$894 billion to more than 63 million beneficiaries.

## OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

### OLD-AGE AND SURVIVORS INSURANCE PROGRAM

Today, most people plan their retirement based on the date they will receive their Social Security benefits. The Old-Age and Survivors Insurance program (what most people think of as their Social Security benefit), created in 1935, provides retirement and survivors benefits to qualified workers and their families. Working and paying Social Security taxes earns workers credits toward Social Security benefits. Most people need 40 credits, or 10 years of covered work, to qualify for retirement benefits.

A person qualifies for full retirement benefits between the ages of 65 and 67, depending on the year he or she was born. Reduced retirement benefits are payable as early as age 62. Certain members of retired workers' families may also receive benefits. Spouses (including divorced spouses), minor children, and children who became disabled before age 22 may also be eligible for benefits.

Social Security also provides income for families of workers who die. Survivor's benefits were added in 1939, and benefits for disabled widows and widowers were added in 1968. Widows, widowers (and divorced widows and widowers), dependent parents, and children may be eligible for survivor's benefits. In fact, 98 of every 100 children could get benefits if a working parent dies. Social Security pays more benefits to children than any other Federal program.

### DISABILITY INSURANCE PROGRAM

Social Security Disability Insurance provides benefits to people who cannot work because they have a medical condition expected to last at least one year or result in death. People who have worked long enough and paid Social Security taxes and certain members of their families can qualify for Social Security Disability Insurance benefits. The disability program began in 1956 as a benefit for disabled workers between the ages of 50 and full retirement. The program expanded in 1960 to include disabled workers of all ages.

## SUPPLEMENTAL SECURITY INCOME PROGRAM

Supplemental Security Income (SSI), established in 1972, is a Federal program designed to provide a monthly payment to people who are aged, blind, or disabled with limited income and resources. Adults and children under the age of 18 can receive payments based on disability or blindness.

General tax revenue, not workers' Social Security taxes, funds the SSI program.

## HOW SOCIAL SECURITY BENEFITED AMERICA IN FISCAL YEAR 2014

- On average each month, about 63.4 million individuals received Social Security or Federal SSI benefits. A combined total of about \$894 billion was paid in Social Security and Federal SSI benefits;
- About 88 percent of the American population age 65 and over received Social Security benefits;
- Among elderly Social Security beneficiaries, 52 percent of married couples and 74 percent of unmarried individuals relied on Social Security for 50 percent or more of their income;
- About 96 percent of persons age 20-49 who worked in covered employment had survivors protection for their young children and a surviving spouse caring for the children; and
- On average each month, more than 1.3 million blind or disabled children under age 18 received Federal SSI payments.

## HOW WE SERVED AMERICA IN FISCAL YEAR 2014

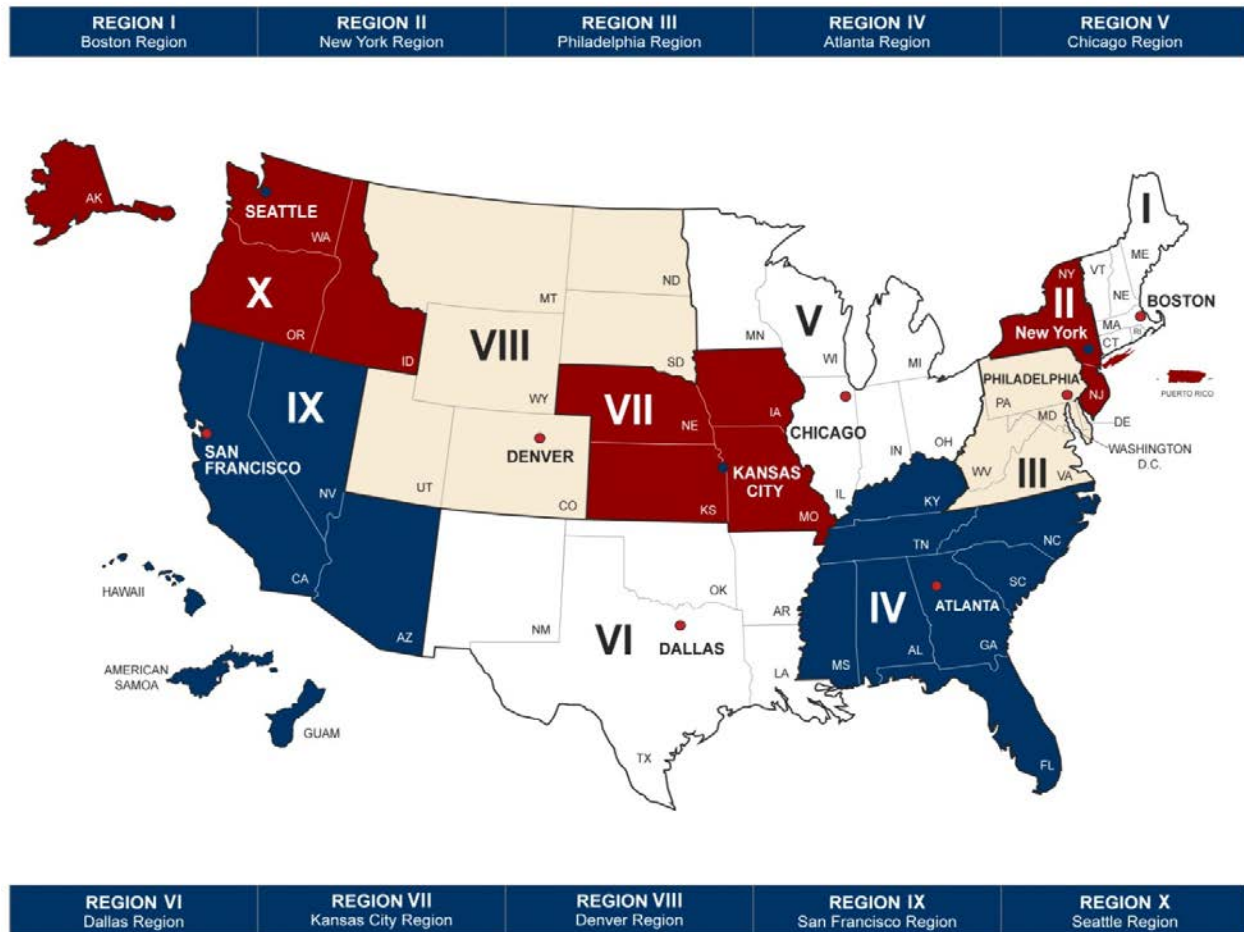
- Issued 16 million new and replacement Social Security cards;
- Performed over 1.8 billion automated Social Security number verifications;
- Posted over 253 million earnings items to workers' records;
- Handled more than 37 million calls on our National 800 Number;
- Assisted 40.8 million visitors in field offices;
- Registered 6.13 million users for [my Social Security](#), a personalized online account;
- Received approximately 5 million retirement, survivor, and Medicare applications;
- Completed over 2.8 million initial disability claims;
- Completed 757,198 reconsideration disability claims;
- Provided support services for 316,363 beneficiaries trying to return to work or improve their earnings through the Ticket to Work program;
- Completed over 2.6 million SSI non-disability redeterminations;
- Completed 525,875 full medical continuing disability reviews;
- Completed 247,215 work continuing disability reviews;
- Completed over 2.8 million overpayment actions;
- Completed 162,280 Appeals Council requests for review; and
- Completed 680,963 requests for hearings.

## OUR ORGANIZATION

Serving the American public requires a vast network of facilities, technology, and skilled staff. Every day, more than 75,000 Federal and State employees provide service to our customers. Nationwide, we have a network of about 1,400 offices, including regional offices, field offices, Social Security card centers, teleservice centers, processing centers, hearing offices (including satellite offices and National Hearing Centers), the Appeals Council, and our headquarters in Baltimore, Maryland. Internationally, we deliver services in U.S. embassies in hundreds of countries.

Customers receive in-person service mainly at our field offices and Social Security card centers. Our teleservice centers primarily handle calls to our National 800 Number. Employees in our processing centers typically handle Social Security retirement, survivors, and disability payments. These employees also provide a wide range of other services, including handling telephone calls to our National 800 Number.

We maintain strong partnerships with State agencies and depend on their employees in 54 State and territorial disability determination services sites to make disability determinations. Administrative law judges in our hearing offices and the administrative appeals judges in our Appeals Council decide appeals of Social Security and SSI issues. For more information about our components and their functions, visit our [organizational structure webpage \(www.socialsecurity.gov/org\)](http://www.socialsecurity.gov/org).





# OVERVIEW OF OUR FISCAL YEAR 2014 GOALS AND RESULTS

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## HOW WE MANAGE PERFORMANCE

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**Our Performance Framework:** The *Government Performance and Results Modernization Act of 2010* (GPRMA) specifies criteria for agency strategic plans to align with presidential terms and ensure that agency goals align with broader Federal efforts.

Setting goals and measuring their outcomes is vital to our performance success. We define our performance framework in the [Fiscal Year 2014-2018 Agency Strategic Plan \(www.socialsecurity.gov/asp\)](http://www.socialsecurity.gov/asp). Our *Agency Strategic Plan* (ASP) links our Strategic Goals with underlying objectives, strategies, and relevant issues.

Our Strategic Goals are:

- Strategic Goal 1: Deliver Innovative, Quality Services;
- Strategic Goal 2: Strengthen the Integrity of Our Programs;
- Strategic Goal 3: Serve the Public through a Stronger, More Responsive Disability Program;
- Strategic Goal 4: Build a Model Workforce to Deliver Quality Service; and
- Strategic Goal 5: Ensure Reliable, Secure, and Efficient Information Technology Services.

**Our Planned Performance:** In March 2014, we published our [Annual Performance Plan for FY 2015, Revised Performance Plan for FY 2014 and Annual Performance Report for FY 2013 \(www.socialsecurity.gov/agency/performance/\)](http://www.socialsecurity.gov/agency/performance/) as a part of the [President's FY 2015 Budget Request \(www.socialsecurity.gov/budget/\)](http://www.socialsecurity.gov/budget/). Collectively we refer to this combined document as our *Annual Performance Report* (APR). The APR outlines our tactical plans for achieving the goals and objectives in our ASP and finalizes our performance commitments for FY 2014.

Each September, a draft of the APR accompanies our budget submission to the Office of Management and Budget (OMB). The draft APR provides our priorities and key initiatives for the next two fiscal years, the performance measures we will use to evaluate our success, and our progress to date on current fiscal year commitments. The budgeted workloads published in our APR correspond to the key workload measures contained in our [FY 2014 Operating Plan \(www.socialsecurity.gov/budget/FY14Files/2014OP.pdf\)](http://www.socialsecurity.gov/budget/FY14Files/2014OP.pdf).

**Our Actual Performance and Program Results:** We update the APR after the close of the fiscal year to provide performance results for the previous fiscal year. We will issue the final APR, containing our actual FY 2014 results, in February 2015. The final APR will be available on our [Budget Estimates and Related Information website \(www.socialsecurity.gov/budget/\)](http://www.socialsecurity.gov/budget/).

This *Agency Financial Report* summarizes our key initiatives, overall performance results, and financial activities in carrying out our mission in FY 2014. This table shows our operating expenses by Strategic Goal.

FY 2014 Operating Expenses by Strategic Goal (Dollars in Millions)	
Deliver Innovative, Quality Services	\$ 2,734
Strengthen the Integrity of Our Programs	\$ 1,910
Serve the Public through a Stronger, More Responsive Disability Program	\$ 5,756
Build a Model Workforce to Deliver Quality Service	\$ 346
Ensure Reliable, Secure, and Efficient Information Technology Services	\$ 1,034

**Our Priorities:** We established our Agency Priority Goals (APG), as required by GPRMA, in FY 2014. We expect to achieve our APGs by the end of FY 2015. We routinely review our progress and take actions to improve our outcomes, stimulate innovation, and deliver favorable results.

Our four APGs are:

APG 1: Improve access to our services by increasing the number of citizens who complete their business with us online;

APG 2: Deliver a world-class customer experience by expanding the use of video technology to hold hearings;

APG 3: Provide the public with access to personalized information by increasing the number of established *my Social Security* accounts; and

APG 4: Reduce the percentage of improper payments made under the Supplemental Security Income program.

Our APGs are aggressive and reflect the performance improvement priorities of our executive leadership. You can find additional information on our APGs performance on [Performance.gov \(www.performance.gov/agency/social-security-administration#overview\)](http://www.performance.gov/agency/social-security-administration#overview).

Established by GPRMA, Cross-Agency Priority (CAP) goals accelerate progress on presidential priority areas. Multiple agencies actively collaborate to achieve results in these areas.

OMB established CAP goals based on input from Federal agencies and congressional committees. These goals reflect the President's second-term priorities.

There are seven mission-oriented and eight management-focused CAP goals. Each CAP goal has two senior leaders – one within the Executive Office of the President and one within a key delivery agency. The Social Security Administration and OMB co-lead the Customer Service CAP goal.

Additional information about CAP goals and our participation in them is available on [Performance.gov \(www.performance.gov/cap-goals-list?view=public\)](http://www.performance.gov/cap-goals-list?view=public).

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## SUMMARY OF FISCAL YEAR 2014 PERFORMANCE

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This summary highlights the approaches we used to achieve the targets set in support of our goals during FY 2014. It also outlines some of the challenges we faced meeting these goals. We base our planned performance targets on our full budget request. If necessary, we adjust our resources accordingly to complete our budgeted workloads and agency goals.

Final data for 8 of our 51 performance measures was not available at the time this report was published. We will include those overall results in our *FY 2015 Agency Financial Report*. We met our target for 29 of the 43 performance measures with available data.

Below is an assessment of our overall progress by Strategic Goal in FY 2014:

- Strategic Goal 1: Deliver Innovative, Quality Services
  - Met the target for 6 of 11 measures
  - Did not meet the target for 5 of 11 measures
  - Final data not available for 0 of 11 measures
- Strategic Goal 2: Strengthen the Integrity of Our Programs
  - Met the target for 5 of 7 measures
  - Did not meet the target for 0 of 7 measures
  - Final data not available for 2 of 7 measures
- Strategic Goal 3: Serve the Public through a Stronger, More Responsive Disability Program
  - Met the target for 5 of 17 measures
  - Did not meet the target for 9 of 17 measures
  - Final data not available for 3 of 17 measures
- Strategic Goal 4: Build a Model Workforce to Deliver Quality Service
  - Met the target for 6 of 9 measures
  - Did not meet the target for 0 of 9 measures
  - Final data not available for 3 of 9 measures
- Strategic Goal 5: Ensure Reliable, Secure, and Efficient Information Technology Services
  - Met the target for 7 of 7 measures
  - Did not meet the target for 0 of 7 measures
  - Final data not available for 0 of 7 measures



## STRATEGIC GOAL 1: DELIVER INNOVATIVE, QUALITY SERVICES

### Strategic Objectives

- Develop and Increase the Use of Self-Service Options
- Enhance the Customer Experience by Completing Customers' Business at the First Point of Contact
- Partner with Other Agencies and Organizations to Improve Customers' Experience and Align with the Administration's One-Government Approach
- Evaluate Our Physical Footprint to Incorporate Improved Service Options

### Agency Priority Goals

*Improve access to our services by increasing the number of citizens who complete their business with us online.*

*Deliver a world-class customer experience by expanding the use of video technology to hold hearings.*

We serve the public through multiple service delivery channels: in-person, via telephone, and online. The following tables present our performance in four of our key performance measures. The first two performance measures support our APGs listed above.

#### Improve access to our services by increasing the number of citizens completing their business with us online

Fiscal Year	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2014 Target	Target Achieved
Performance	13.5 million	16 million	21.8 million	46.3 million	70 million	50.9 million	MET

#### Deliver world-class customer experience by expanding the use of video technology to hold hearings

Fiscal Year	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2014 Target	Target Achieved
Performance	20.3%	20.1%	22.8%	26.1%	28%	28%	MET

#### Maintain high customer satisfaction with our online services

Fiscal Year	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2014 Target	Target Achieved
Performance	81	81	82	82	83	80	MET

#### Minimize the average response time to deliver medical evidence to the Department of Veteran Affairs for wounded warriors and veterans

Fiscal Year	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2014 Target	Target Achieved
Performance	10 days	7 days	6 days	7 days	6 days	5 days	NOT MET

We have a long history of exemplary customer service marked by high customer satisfaction. Our high level of customer satisfaction is, in part, the result of our success using technology to improve and expand the services we offer the American public. In 2007, less than 10 percent of claims were filed online. In FY 2014, more than 52 percent of claims were filed online.

Our efforts to deliver world-class, innovative, quality services include:

**Expanding Online Access through Social Security Express:** Customers do not need computers in their homes to use our online services. Our Social Security Express initiative provides access to our online services in our field offices and in external locations.

We have three major Social Security Express projects underway:

- **Self-help personal computers** are available in 549 offices nationwide. Self-help personal computers allow our customers to access our online services using computers in our offices. Using the computers enables customers to perform some transactions without waiting to see a representative.

In FY 2014 and FY 2015, we plan to enhance this service by rolling out a virtual desktop infrastructure technology, which provides us the ability to troubleshoot remotely. It will reduce the amount of staff time required to maintain our current self-help personal computers. In January 2015, we plan to pilot this technology in 50 field offices. In FY 2014, we purchased 1,287 new computers, and by May 2015 we will install the new computers in 652 field offices.

- **Desktop icons** provide a direct link from a public computer to our online services. These icons are available to external partner sites, such as libraries and senior centers. Users can access the same services that are available through the self-help personal computers in our field offices.
- **Customer service stations** contain a computer with a touch screen monitor and video access enabling the user to have real-time contact with a representative, if needed. A printer is also available so users can print documents, such as benefit verification letters.

**Leveraging my Social Security:** To date, we have over 45,000 web pages, 20 online services, information in 18 languages, and a presence on several social media sites. We host 17 million visits to our website each month. Our customers are demanding more online services, and we are responding as quickly as possible, while ensuring my Social Security remains secure and easy to use. My Social Security has more than 14 million registered users and consistently ranks as one of the top 10 in customer satisfaction for all Federal websites.

**Implementing Online Social Security Number Card Application:** Replacing Social Security number cards is one of our most requested services. In FY 2013 alone, we issued 10 million replacement cards in field offices and Social Security card centers across the country. This workload is significant, highly sensitive, and sometimes complex, often requiring in-person interviews.

In FY 2014, we began work to enable my Social Security users who are U.S. citizens over the age of 18 with no changes to their record to apply online for a replacement Social Security number card. We expect to roll out this new feature to select states in FY 2016, enabling users to avoid travel time, wait time, and in-person interviews. The application will provide users with a secure, trusted, and legally sufficient, real-time method to request replacement Social Security number cards online and will allow our employees more time to process other workloads.

**Establishing the Social Security Electronic Remittance System:** Currently, customers can pay preapproved standard service fees, such as those for copying electronic or paper folders, only by check or money order. Our new electronic remittance system will enable payment by credit and debit card. Because we must receive payment before we can complete the customer's request, this new system will allow us to process customer transactions immediately in cases where the files are readily accessible.

The Social Security Electronic Remittance System is currently in production in 20 field offices. In a later phase of this project, we plan to handle other types of collections through this system.

**Increase Video Hearings:** We held our one-millionth video hearing at the end of FY 2014. Video hearings play a critical role in our disability adjudication process by enabling claimants to participate in a hearing near their homes. We conduct video hearings in hearing offices, permanent remote sites, claimant-only sites inside field offices, National Hearing Centers, and through select representatives participating in the Representative Video Project. Video hearings allow our administrative law judges to spend less time traveling to hearings and more time hearing and deciding cases. Additionally, we are able to balance our hearings workloads by electronically transferring cases to offices that can accommodate the additional work.

We will continue to expand and improve video hearing services in FY 2015 and FY 2016 by replacing our existing, aging technology with cutting edge, high-quality equipment. We also plan to increase marketing and educational information to emphasize the benefits of video hearings and pursue policy and business process changes to maximize efficiency.

**Expanding Video Service Delivery:** Some of our customers live in areas with limited public transportation and have difficulty getting to our field offices. Video service delivery allows us to provide services to our customers at convenient third-party sites, such as hospitals, libraries, community centers, American Indian tribal centers, and homeless shelters. Video services reduce time and costs for traveling to remote locations.

In FY 2013, we provided 20 video units to the disability determination services (DDS), allowing them to conduct video disability hearings and video consultative exams. Additionally, we installed 15 video units in partner locations to assist veterans in Wounded Warrior programs and reduce our travel expenses.

To support a projected increase in DDS disability hearing workloads (i.e., appeals of continuing disability review decisions), we are relocating 40 existing video units to offices where there is a greater need. In FY 2015, we will expand video service delivery by an additional 83 desktop units to increase our capacity for conducting video hearings.

In FY 2016, we will analyze productivity and cost savings of video service delivery to determine if we should expand to additional external partner site locations.

**Providing Real-Time Assistance to Online Users:** We are dedicated to delivering world-class service to all of our customers, including our online users. In May 2014, we celebrated 20 years of online services.

In FY 2013, we implemented a help desk to provide near real-time telephone support for users of *my Social Security* online services. Users can receive support by calling the National 800 Number or using a web-based form to request a call back from us.

We are developing a suite of customer engagement tools that will allow *my Social Security* account users to receive alerts, messages, and agency announcements through a secure, personalized Message Center. Additionally, we will add click-to-communicate technologies and screen sharing, allowing anyone navigating our website to click a link to talk to us.

**Expand Our Partnerships with External Organizations:** Our Social Security Express initiative currently includes two self-service options that allow the public to complete their business from external partner locations (local, State, or Federal Government agencies such as the Department of Veterans Affairs or the Department of Housing and Urban Development). Those self-service options are:

- A Social Security Express icon installed on the partner sites' desktop computers, enabling access to our online services; and
- A customer service station, containing a desktop computer and a printer, offering limited online services and video assistance from one of our employees.

In FY 2013, we launched the program, and 25 partner sites downloaded the Social Security Express icon to the desktops of their public computers. In FY 2014, we expanded our partnership to 168 sites.

## STRATEGIC GOAL 2: STRENGTHEN THE INTEGRITY OF OUR PROGRAMS

### Strategic Objectives

- Transform the Way We Record Earnings to Enhance Data Accuracy
- Protect the Public's Data and Provide Secure Online Services
- Increase Payment Accuracy

### Agency Priority Goal

*Reduce the percentage of improper payments made under the Supplemental Security Income program.*

Paying the right person, the right amount, at the right time is critical, and we take this responsibility very seriously. We are committed to protecting our programs from waste, fraud, and abuse.

The following table presents our outcome-based performance measure supporting our agency priority goal to reduce SSI improper payments.

Reduce the percentage of improper payments made under the SSI program							
Fiscal Year	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2014 Target	Target Achieved
Performance	11.6%	10.8%	9.6%	8.6%	Data available April 2015	6.2%	TBD*

TBD\*: To be determined as final FY 2014 data were not available at the time of publishing.

Currently, we pay \$75 billion each month in benefits across all our programs. The payment accuracy rate for our retirement and survivors programs has been over 99 percent for the past several years.

Accurate, timely information reduces improper payments. We are using the latest technology to prevent identity theft and improve debt collection. We will invest in and enhance partnerships with our beneficiaries. We will find opportunities to share information with other Federal and State agencies. We expect these efforts to help us get information sooner.

Some of the initiatives we are undertaking to strengthen the integrity of our programs include:

**Increasing Electronic Wage Report Filing:** Every year we receive nearly 29 million paper Forms W-2 from over 3.2 million paper wage reports. Paper wage reports are more error prone, labor intensive, and expensive to process.

In FY 2013, we added functionality to our online W-2 and implemented user-friendly enhancements to make it easier for small businesses to use our electronic wage reporting services. We also added an option to our W-2 online service making it easier for prior-year customers to complete their current year submission.

We encourage employers and third-party submitters (i.e., people who submit wages to us on behalf of employers) to use electronic wage reporting. Planned enhancements for FY 2015 include a self-registration, self-testing process for all new electronic wage reporting web service users. For FY 2016, we plan a phased expansion of the electronic wage reporting web service, including expanding the electronic wage reporting status function, allowing submitters to find out why a submission was returned.

**Producing a Public Facing Integrity Review:** As we add more online services, we will remain alert to fraudulent and malicious acts against our systems. We developed our Public Facing Integrity Review system in FY 2013 to identify unusual and potentially fraudulent activity in our Internet applications.

In FY 2014, we enhanced the system with additional functionality and new scenarios to detect fraud. In FY 2014, we prevented the attempted theft of 4,736 benefit payments totaling more than \$5.6 million.

In FY 2015, we will continue to enhance our Public Facing Integrity Review by adding additional scenarios and integrating with the online Social Security number replacement card process.

**Promoting Use of the Supplemental Security Income Telephone Wage Reporting System and the Supplemental Security Income Mobile Wage Reporting:** Delayed wage reports cause payment errors in the Supplemental Security Income (SSI) program. To improve timely reporting, we implemented the SSI Telephone Wage Reporting system and SSI Mobile Wage Reporting program. With the SSI Telephone Wage Reporting system and SSI Mobile Wage Reporting program, we increase efficiency by reducing unnecessary visits to the field office, reducing manual keying errors, and allowing us to automatically process wage reports.

In FY 2014, we began allowing people to report wages at any time during the month rather than just the first six days of the month. We also started using GovDelivery as a means for SSI wage reporters to sign up for email or text reminders. GovDelivery is a public web-based tool that sends notices, emails, and reminders to customers.

In September 2014, we increased the number of monthly wage reports successfully processed using the SSI Telephone Wage Reporting system and SSI Mobile Wage Reporting program by more than 6 percent over our September 2013 experience.

For FY 2015, we will increase the number of monthly wage reports using our automated wage reporting tools by 6 percent over the volume we process at the end of FY 2014.

**Conducting Continuing Disability Reviews:** To ensure we pay disability benefits only to those who meet our medical requirements, we periodically conduct continuing disability reviews for both Social Security Disability Income and SSI beneficiaries to determine if a beneficiary's medical condition has improved and if they are still eligible for benefits. In many cases, we use statistical modeling to predict a beneficiary's probability of improvement, allowing us to identify specific cases for continuing disability reviews. In FY 2014, we completed 525,875 continuing disability reviews.

**Conducting Supplemental Security Income Redeterminations:** Changes in beneficiaries' living arrangements or the amount of their income and resources can affect both their eligibility for SSI and the amount of their payments. To ensure the accuracy of SSI payments, we conduct redeterminations. In FY 2014, we completed 2,627,518 redeterminations.

**Expanding the Access to Financial Institutions:** Excess resources in financial accounts cause SSI payment errors. Access to Financial Institutions (AFI) is an electronic process that verifies bank account balances with financial institutions to help determine SSI eligibility. In addition to verifying alleged accounts, the process detects undisclosed accounts by using a geographic search to generate requests to other financial institutions. Along with preventing overpayments, the AFI process helps us eliminate ineligible applicants at the beginning of the application process and reduce the workload in the DDS. We currently use the AFI system in all 50 states, the District of Columbia, and the Commonwealth of the Northern Mariana Islands.

**Implementing Direct Deposit Auto-Enrollment Fraud Prevention:** In an effort to prevent redirection of beneficiaries' payments to other accounts without their knowledge, we created the direct deposit auto-enrollment fraud prevention service. This service allows beneficiaries who have been victims of fraud, or who think they may become victims in the future, to block changes to their payment information. People who block account changes must come into a field office to make direct deposit or address changes.

In August 2014, we started sending notices of change to beneficiaries' old addresses when we process an address change requested through [my Social Security](#). The notice tells the beneficiary to contact us if an address change was not requested. We will explore expansion to other service delivery methods in the future.

### STRATEGIC GOAL 3: SERVE THE PUBLIC THROUGH A STRONGER, MORE RESPONSIVE DISABILITY PROGRAM

#### Strategic Objectives

- Improve the Quality, Consistency, and Timeliness of Our Disability Decisions
- Maximize Efficiencies throughout the Disability Program
- Enhance Employment Support Programs and Create New Opportunities for Returning Beneficiaries to Work

#### Did You Know?

*Social Security offers an online disability application an applicant can complete at his or her convenience from any location.*

We remain committed to meeting the public's needs by using technology and tools that are cost effective for the taxpayer and convenient for our customers. We will continue to balance timeliness with an emphasis on quality and consistency in decision-making.

The following tables highlight several of our key outcome-based performance measures. These performance measures support our Strategic Goal to strengthen our disability program.

#### Expedite cases for the most severely disabled individuals by achieving the target percentage of initial disability cases identified as Quick Disability Determinations or Compassionate Allowances

Fiscal Year	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2014 Target	Target Achieved
Performance	4.6%	4.8%	5.8%	6.6%	6.6%	6.5%	MET

#### Ensure the quality of our decisions by achieving the disability determination services decisional accuracy rate for initial disability decisions

Fiscal Year	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2014 Target	Target Achieved
Performance	98%	98%	98%	98%	Data available December 2014	97%	TBD*

TBD\*: To be determined as final FY 2014 data were not available at the time of publishing

#### Increase our ability to provide timely decisions by focusing on our oldest cases first

Fiscal Year	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2014 Target	Target Achieved
Performance	Not Available**	Not Available**	Not Available**	Not Available**	98%	Make decisions on 99.5% of cases that start the year 310 days or older	NOT MET

\*\* New target and data definition introduced for FY 2014. Prior years tracking methodology differs and not available based on FY 2014 data definition.



While our customers expect us to make timely decisions, they also expect us to make the right decisions, appropriately and consistently applying our rules and regulations. We will continue to balance timeliness with an emphasis on quality and consistency in decision-making.

Our efforts to deliver quality disability decisions and services include:

**Enhancing the Electronic Claims Analysis Tool:** We continue to enhance our web-based Electronic Claims Analysis Tool (eCAT), which guides adjudicators through the five-step sequential process for determining disability. The tool produces a detailed, policy-compliant explanation of the determination made on the case and stores the supporting documentation. A subsequent reviewer can then review the explanation to understand the decision maker's analysis and conclusions throughout the adjudication processes.

All DDS sites use eCAT for initial and reconsideration disability claims. As of August of FY 2014, eCAT includes functionality for processing electronic concurrent initial level adult continuing disability reviews. In FY 2015 and FY 2016, we will continue to add functionality for processing other types of continuing disability reviews, as well as refine eCAT in response to policy changes and input from its users.

**Updating the Medical Listing of Impairments:** The medical Listing of Impairments (Listings) is one of the most effective tools used to make disability decisions. The Listings allow us to find a claimant disabled when his or her impairment meets specified medical criteria, without the need to consider age, education, or work experience. The Listings improve the consistency and accuracy of our decisions throughout all levels of the disability process.

Our efforts in FY 2014 to update and revise medical policy included publishing four rules for public comment, one final rule, and three Social Security Rulings. In FY 2015, we plan to develop and submit eight final rules, two Social Security Rulings, and targeted updates for the medical Listings for publication in the Federal Register.

**Conducting Inline Quality Reviews:** The inline quality review of hearing-level claims promotes consistency and continuous improvement in case processing by ensuring that:

- Case files are properly prepared and scheduled;
- Records are adequately developed; and
- Draft decisions are legally sufficient.

In FY 2014, we conducted random inline quality reviews on 13,258 hearing cases. We will continue to review support staff work for quality and policy compliance.

**Reducing the Backlog at the Appeals Council:** Historically, we received approximately 100,000 requests for review annually. In recent years, the number of requests for reviews rose to 175,000 annually. This rise is due to an increase in cases completed at the hearing level, which results in the Appeals Council receiving more requests for review. To address this increase, we continued to add staff in the Office of Appellate Operations. We are now focusing on decreasing the percentage of pending Appeals Council requests for review over 365 days old.

We are focusing on decreasing the percentage of pending Appeals Council requests for review over 365 days old. In FY 2014, we completed approximately 162,000 Appeals Council requests for review. We will continue to adjust Appeals Council staff levels to both reduce the Appeals Council backlog and meet any changes in capacity at the DDS and the hearings levels.

**Developing the Disability Case Processing System:** The Disability Case Processing System is a national initiative to increase consistency between the different systems supporting our DDS sites. The system will allow us to support policy changes faster and modify our case processing system nationally. In addition, it will allow us to share work across disability components seamlessly and bring greater consistency to the various systems that support DDS sites. Our goal is to achieve the highest level of public service possible, while producing accurate decisions that are timely and cost effective.

In FY 2015 and FY 2016, we will continue to add functionality to sites in Idaho, Illinois, and Missouri, as well as expand to additional DDS sites.

**Using Health Information Technology to Expedite Disability Decisions:** Obtaining medical records electronically from health care organizations increases efficiencies in our disability determination process and dramatically improves service to the public by:

- Reducing the time to obtain medical records;
- Decreasing the time to complete a disability claim;
- Helping offset increasing workloads and staffing constraints; and
- Enabling computerized decision support.

We request more than 15 million medical records from about 500,000 providers for approximately 3 million initial disability claims annually. Our primary goal is to increase the volume of medical evidence received via health information technology by expanding existing partnerships and adding new partners. We are actively discussing partnering with numerous healthcare organizations and completed expansion to all Kaiser Permanente sites in March 2014.

In FY 2014, we received records electronically for approximately 3 percent of our initial disability claims workload. We expect this number to increase to 4 percent in FY 2015 and 6 percent in FY 2016.

## **STRATEGIC GOAL 4:**

### **BUILD A MODEL WORKFORCE TO DELIVER QUALITY SERVICE**

#### **Strategic Objectives**

- Attract and Acquire a Talented and Diverse Workforce That Reflects the Public We Serve
- Strengthen the Competency, Agility, and Performance of Our Workforce to Align with the Needs of the Public
- Foster an Inclusive Culture that Promotes Employee Well-Being, Innovation, and Engagement
- Enhance Planning and Alignment of Human Resources to Address Current and Future Public Service Needs



Maintaining a quality workforce is critical to providing continued world-class service to the public. The following table represents our performance in maintaining workplace excellence and the practices we implement that support our employees. This performance measure supports our commitment to the People and Culture CAP goal.

<b>Maintain status as one of the top 10 Best Places to Work among large agencies in the Federal Government</b>							
<b>Fiscal Year</b>	<b>2010 Actual</b>	<b>2011 Actual</b>	<b>2012 Actual</b>	<b>2013 Actual</b>	<b>2014 Actual</b>	<b>2014 Target</b>	<b>Target Achieved</b>
<b>Performance</b>	Top 10 Rank	Top 10 Rank	Top 10 Rank	Top 10 Rank	Data available late November 2014	Top 10 Rank	TBD*

TBD\*: To be determined, as final FY 2014 data were not available at the time of publishing.

Our employees are our most valuable asset. Their commitment, along with our partners in DDS sites, allows us to provide dedicated and compassionate services to the public. Each year since 2007, our employees have ranked us in the top 10 [Best Places to Work in the Federal Government \(www.bestplacetowork.org/BPTW/index.php\)](http://www.bestplacetowork.org/BPTW/index.php). Some of the initiatives we are undertaking to remain an employer of choice for top talent include:

**Focusing on the Employment of Veterans and Individuals with Disabilities:** We honor the courage and sacrifice the men and women in our armed forces made during their active service. One of the best ways to recognize our appreciation is by creating civilian employment opportunities, enabling veterans to use the skills they acquired while serving this country. We also recognize the rich talent pool that exists among individuals with disabilities, and we benefit from their experience as we develop strategies to improve our service to the American people.

Each fiscal year, we establish goals for recruiting veterans and individuals with disabilities. Despite recent hiring limitations and budget constraints, we achieved or exceeded our commitments to hiring veterans and disabled workers.

**Highlighting the Pathways Programs (for Students and Recent Graduates to Federal Careers):** Hiring students and recent graduates provides our workplace with new enthusiasm and perspectives. Our Pathways programs serve as a gateway for attracting a talented and diverse workforce that reflects the public we serve. In FY 2014, we hired 20 percent of our employees through opportunities from 3 specific Pathways programs:

- **The Internship program** provides students in high schools, colleges, trade schools, and other qualifying educational institutions with paid opportunities to explore Federal careers while completing their educations.
- **The Recent Graduates program** provides developmental experiences to individuals who, within the previous two years, graduated from qualifying educational institutions.
- **The Presidential Management Fellows program** provides entry-level positions and leadership development for advanced degree candidates and recent advanced degree graduates.

**Creating Management Training:** We have established several programs to sustain a competent and effective group of leaders. Our competency-based Leadership Essentials for New Supervisors training integrates technical skills with leadership competencies and emphasizes performance management. We started this program in April 2014 and approximately 10 percent of our new supervisors participated in this program during FY 2014.

We plan to build and maintain a cadre of leaders who have skills that are transferrable throughout our organization, thereby increasing the flexibility and responsiveness of our leadership. In FY 2015, we expect 50 percent of new supervisors to participate in the training.

**Focusing on Career Development Programs:** Our future depends on developing employees' leadership and management skills throughout their careers. One way we identify and develop potential leaders is through our National Career Development Programs: the Leadership Development Program and the Advanced Leadership Development Program.

These programs target employees with demonstrated leadership potential and strengthen their leadership skills through developmental assignments and formal training. The Leadership Development Program prepares employees for General Series (GS)-11 through GS-13 leadership positions, and the Advanced Leadership Development Program prepares employees for GS-14 and GS-15 leadership positions.

To help our experienced managers prepare for senior-level positions, we offer the Senior Executive Service Candidate Development Program. Our program for senior executives is a key element of our succession management strategy for filling future executive-level leadership vacancies.

**Highlighting Diversity and Inclusion:** We have a long-standing history of being among the most diverse Federal agencies – a goal we achieved through careful planning and recruitment efforts. Our Diversity and Inclusion Strategic Plan highlights proven best practices for attracting, hiring, and retaining a diverse workforce. It also describes how we can foster a work environment that draws on our collective talents, respects individual differences, and leverages diversity.

**Supporting Work/Life Balance:** We are actively making efforts to remain an employer of choice and maintain our ranking among the top 10 Best Places to Work in the Federal Government. We demonstrate our commitment through family friendly policies, work/life services, and employee seminars on personal topics like financial literacy, fitness, stress management, and career development. We have also increased career opportunities across components.

In FY 2014, we implemented a new telework policy allowing employees to work in locations other than their official work locations. We now have 8,547 employees participating in telework.

## **STRATEGIC GOAL 5:** **ENSURE RELIABLE, SECURE, AND EFFICIENT INFORMATION TECHNOLOGY SERVICES**

### **Strategic Objectives**

- Maintain System Performance and the Continuity of Information Technology Services
- Enhance and Execute Plans to Modernize Our Systems
- Incorporate Innovative Advances in Service Delivery
- Continuously Strengthen Our Cyber Security Program



A robust and cost-effective information technology (IT) environment is at the core of every service we provide for the American public and for our employees. We support these mission-critical business and service operations by designing, deploying, and maintaining one of the Nation's most sophisticated IT infrastructures. The following table demonstrates our systems performance.

<b>Provide uninterrupted access to our systems during scheduled times of operation</b>							
<b>Fiscal Year</b>	<b>2010 Actual</b>	<b>2011 Actual</b>	<b>2012 Actual</b>	<b>2013 Actual</b>	<b>2014 Actual</b>	<b>2014 Target</b>	<b>Target Achieved</b>
<b>Performance</b>	99.84% availability	99.89% availability	99.5% availability	99.5% availability	99.97% availability	99.5% availability	MET

Technology is essential to everything we do. Managing high workload volumes while keeping pace with changing technology and new legislation are challenges we routinely face. If our systems experience a problem, our productivity and service immediately decline. Maintaining strong IT performance, while meeting rising demands, increasing cyber security risks, and constant industry changes, is vital. Some of our ongoing efforts to maintain secure and reliable IT services include:

**Enhancing Our Infrastructure:** Our new National Support Center opened in September 2014. Moving into the new state-of-the-art National Support Center is core to future enhancements to our infrastructure. We will begin our service migration to the new computer center in FY 2015. We expect to complete the migration, which will result in increased operational reliability and efficiency, by the end of FY 2016. This facility will dramatically increase computing power, while reducing energy consumption. Innovative heating and cooling systems will help reduce costs by capturing the heat generated from our computer servers and using it to heat the building. We designed the facility to be Leadership in Energy and Environmental Design Gold certified.

**Improving Information Technology Cost and Performance:** We use proven technologies to lower IT cost and improve performance. As part of our capital planning and investment control process, we evaluate the cost of IT projects in terms of their return on investment. We adopt new technologies to provide stable and high-performing environments.

When appropriate, we are leveraging technology including cloud-computing, virtualization, and using open source infrastructure to lower our costs while increasing our performance.

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## LOOKING FORWARD – FACING OUR CHALLENGES

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We have a proud history of providing the highest level of service to the public. For the past 79 years, Social Security has been an integral part of so many lives. Whether we paid a benefit or issued a Social Security number, we have consistently served the public with care and compassion. We are committed to providing world-class service for our customers each time they interact with us. This commitment remains one of our highest priorities.

We remain vigilant in our effort to deliver Social Security services that meet the changing needs of the public. When the *Social Security Act* was signed in 1935, everything was done by hand on paper. Now, we cannot imagine conducting business without technology. As increasing numbers of customers want to conduct business with us online, we must consider technology that will enable us to meet this emerging customer expectation.

While we will continue to serve our customers in the way that is most convenient to them – in an office, over the telephone, or through the Internet – we are especially committed to improving and expanding our online service offerings. We will build on the services we now offer through our convenient and secure online portal, [my Social Security](#).

Much of the improvement in protecting the integrity of our programs will come through technology, such as receiving more of our earnings data electronically and providing greater electronic protection for our customers' information. In addition, we will make greater use of the information and data we have to help us identify fraud and prevent improper payments. We will continue to explore additional use of information from other agencies, as well as from the private sector, to ensure we pay all beneficiaries correctly and securely. We take security threats very seriously and will continue to invest heavily in technologies that strengthen our systems protection, giving our customers confidence in our online services.

Even with the best technology, the achievements of our organization are the results of the combined efforts of our dedicated employees – our greatest asset. We have many of the most customer-focused, compassionate, and resilient employees in government. With a shrinking workforce, our challenge is having employees with the right skills, in the right places, at the right times to achieve our service mission. Our *Human Capital Operating Plan* reflects our renewed commitment to managing our workforce goals. Over the next two years, we will increase our efforts to attract, train, and retain employees that are flexible and ready to provide services to the public through all our delivery channels. It is imperative that we maintain this momentum in positioning our agency for future success.

We will take every available measure to prevent waste, fraud, and abuse from happening, and will prosecute those responsible when it does. We will seek out ways to increase payment accuracy and preserve the integrity of our SSI program by collaborating with Federal partners and stakeholders, continuing to address improper payments through strengthening policies, developing automated prevention and detection processes, and optimizing our existing automated systems. We are steadily tackling the challenging demands of our increasing workloads and limited resources by transforming the way we do business and finding ways to provide services more efficiently.

As we overcome our challenges and move forward with the strategies outlined in our *Agency Strategic Plan*, we have also started setting our long-range strategic vision – our “Vision 2025.” This document will define our strategy for meeting the changing needs of our customers. After defining our vision, we will develop a long-range plan defining the actions needed to achieve our goals.



# HIGHLIGHTS OF FINANCIAL POSITION

## OVERVIEW OF FINANCIAL DATA

We received an unmodified opinion on our financial statements from Grant Thornton, LLP. Our financial statements combined the results from the programs we administer, which include the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) programs (referred to as OASDI when discussing them in combination), and the Supplemental Security Income (SSI) program. OASI and DI have separate funds, which are financed by payroll taxes, interest on investments, and income taxes on benefits. General revenues from the U.S. Treasury finance SSI. Our financial statements, notes, and additional information appear on pages 43 through 102 of this report. The following table presents key amounts from our basic financial statements for fiscal years (FY) 2012 through 2014 (excluding key amounts from our Statement of Social Insurance and Statement of Changes in Social Insurance Amounts, which we present in the Table of Key Social Insurance Measures located in the Overview of Social Insurance Data section).

<b>Table of Key Financial Measures<sup>1</sup></b> (Dollars in Billions)			
<b>Net Position</b> (end of fiscal year)			
	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Total Assets</b>	\$2,828.9	\$2,799.6	\$2,766.5
<b>Less Total Liabilities</b>	\$107.1	\$102.0	\$101.5
<b>Net Position (assets net of liabilities)</b>	\$2,721.8	\$2,697.6	\$2,665.0
<b>Change in Net Position</b> (end of fiscal year)			
	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Net Costs</b>	\$906.8	\$867.4	\$822.9
<b>Total Financing Sources<sup>2</sup></b>	\$931.1	\$899.9	\$882.2
<b>Change in Net Position</b>	\$24.2	\$32.6	\$59.3

1. Totals do not necessarily equal the sum of rounded components.

2. Total Financing Sources includes both the Total Financing Sources and Total Budgetary Financing Sources lines from the Statement of Changes in Net Position displayed on page 46.

**Balance Sheet:** The Balance Sheet displayed on page 44 presents, as of a specific point in time, amounts of economic benefits we own or manage (assets), amounts we owe (liabilities), and residual amounts we retain, comprising the difference (net position).

Total assets for FY 2014 are \$2,828.9 billion, a 1.0 percent increase over the previous year. Of the total assets, \$2,813.0 billion relates to funds from dedicated collections for the OASI and DI programs. By statute, we invest those funds not needed to pay current benefits in interest-bearing Treasury securities. Investments, which account for approximately 98.4 percent of our assets, increased \$26.5 billion over the previous year.

Liabilities grew in FY 2014 by \$5.1 billion primarily because of the growth in benefits due and payable, which is attributable to the 1.5 percent Cost of Living Adjustment (COLA) provided to beneficiaries as of January 1, 2014, as well as an increase in the numbers of OASI and SSI beneficiaries. The majority of our liabilities (87.7 percent) consist of benefits that have accrued as of the end of the fiscal year, but have not been paid. By statute, payment of OASI and DI program benefits for the month of September does not occur until October. Our net position grew \$24.2 billion to \$2,721.8 billion, reflecting the higher growth in assets than liabilities.

**Statement of Net Cost:** The Statement of Net Cost displayed on page 45 presents the annual cost of operating our three major programs: OASI, DI, and SSI. The Other category on the Statement of Net Cost consists primarily of our administrative costs not related to the OASI, DI, and SSI programs and contains non-material activities.

Our net cost of operations includes the gross costs we incurred less any exchange revenue earned from activities. In FY 2014, our total net cost of operations increased \$39.4 billion to \$906.8 billion, primarily due to the 1.5 percent COLA provided to beneficiaries as of January 1, 2014, as well as an increase in the numbers of OASI and SSI beneficiaries. The OASI, DI, and SSI net cost increased by 5.2 percent, 2.3 percent, and 2.8 percent respectively. Operating expenses increased for each of our three major programs by 0.8 percent, 0.1 percent, and 3.7 percent for OASI, DI, and SSI, respectively.

In FY 2014, our total benefit payments increased by \$39.3 billion, a 4.6 percent increase. The table below provides the benefit payment information, number of beneficiaries, and the percentage change for these benefit items during FY 2014 and FY 2013 for each of our three major programs.

Benefit Changes in Our Major Programs During Fiscal Years 2014 and 2013			
	FY 2014	FY 2013	% Change
<b>OASI</b>			
Benefit Payments	\$701,037	\$666,387	5.2%
Average Benefit Payment (per month)	\$1,235.39	\$1,204.39	2.6%
Number of Beneficiaries	47.84	46.75	2.3%
<b>DI</b>			
Benefit Payments	\$142,594	\$139,262	2.4%
Average Benefit Payment (per month)	\$1,000.36	\$982.08	1.9%
Number of Beneficiaries	10.92	10.95	(0.3)%
<b>SSI</b>			
Benefit Payments	\$50,844	\$49,496	2.7%
Monthly Maximum Benefit Amount	\$721.00	\$710.00	1.6%
Number of Beneficiaries	8.41	8.38	0.4%

1. Benefit payments and the number of beneficiaries are presented in millions.

2. The average benefit payment per month for OASI and DI programs and the monthly maximum benefit amount for the SSI program are presented in actual dollars.

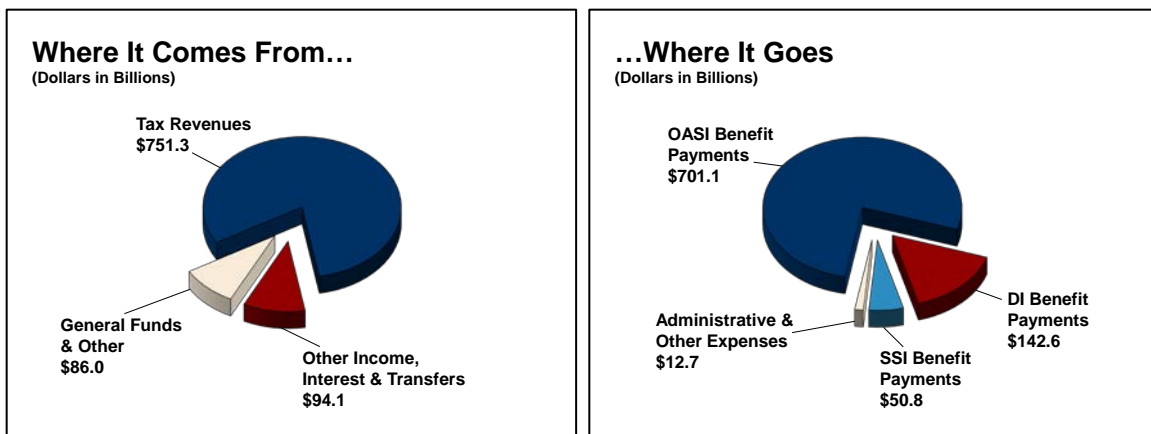
**Statement of Changes in Net Position:** The Statement of Changes in Net Position displayed on page 46 presents those accounting items that caused the net position section of the balance sheet to change from the beginning to the end of the reporting period. The Statement shows an increase of \$24.2 billion in the net position of our agency, which is attributable to financing sources in excess of our agency's net cost. At this time, tax revenues and interest earned continue to exceed benefit payments made to OASDI beneficiaries, keeping the agency's programs solvent. Through the first quarter of FY 2013, the Payroll Tax Holiday legislation provided employees a reduction in *Federal Insurance Contributions Act* tax withholdings, reducing rates from 6.2 percent to 4.2 percent for the 2011 and 2012 tax years (January-December). In order to avoid harming the OASI and DI Trust Funds, the legislation also provided the transfer of funds by the Department of the Treasury from general revenues to the OASI

and DI Trust Funds. The expiration of this legislation at the end of the first quarter of FY 2013 resulted in increased tax revenues and decreased transfers when comparing FY 2014 and FY 2013 on the financial statements.

We use most of the resources available to us to finance current OASDI benefits and to accumulate investments to pay future benefits. When we need funds to pay administrative expenses or benefit entitlements, we redeem investments to supply cash to cover the outlays. Our administrative expenses as a percent of benefit expenses are 1.4 percent.

In FY 2014, total financing sources, as shown in the Table of Key Financial Measures displayed on page 25, increased by \$31.2 billion to \$931.1 billion. The primary source for this increase is additional tax revenues received in FY 2014. The \$931.1 billion in total financing sources from the Statement of Changes in Net Position will not match the amounts reported in the chart “Where It Comes From...” as seen below. The activity reported in the chart includes \$0.3 billion in exchange revenue. Our exchange revenues primarily include payments of fees we receive from States choosing to have us administer their State Supplementation of Federal SSI benefits. These amounts are reported on the Statement of Net Cost and are not classified as a financing source.

The following charts summarize the activity on our Statement of Net Cost and Statement of Changes in Net Position by showing the sources and uses of funds for FY 2014.

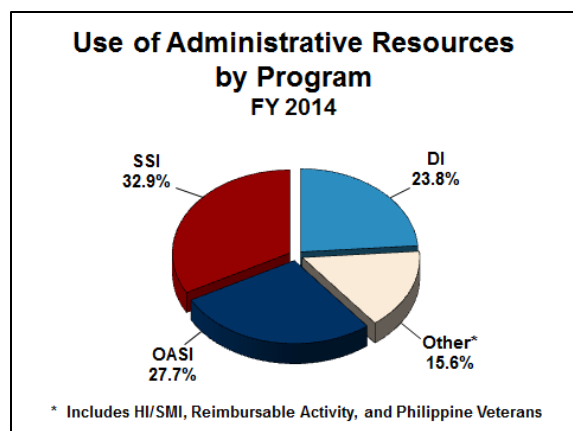


**Statement of Budgetary Resources:** The Statement of Budgetary Resources displayed on page 47 provides information on the budgetary resources available to our agency for the year and shows the status of those resources at the end of FY 2014. The Statement shows that we had \$957.5 billion in budgetary resources, of which \$2.7 billion remained unobligated at year-end. We recorded total net outlays of \$905.8 billion by the end of the year. Budgetary resources increased \$12.5 billion, or 1.3 percent, from FY 2013, while net outlays increased \$38.4 billion, or 4.4 percent. The increase in budgetary resources is primarily due to an increase in tax revenues, offset by a decrease in transfers resulting from the expiration of the Payroll Tax Holiday legislation in FY 2013. The increase in net outlays is primarily due to the 1.5 percent COLA provided to beneficiaries as of January 1, 2014, as well as an increase in the numbers of OASI and SSI beneficiaries.

## USE OF ADMINISTRATIVE RESOURCES

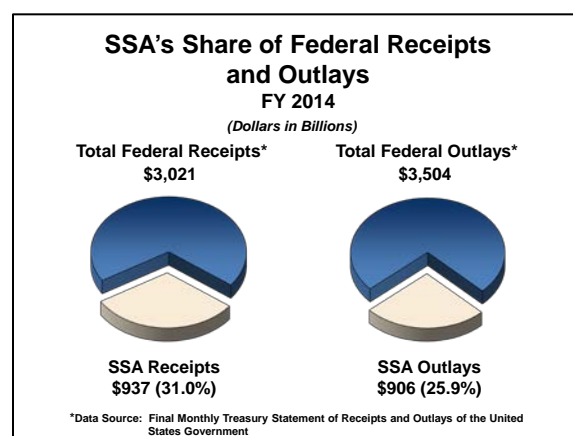
The chart on the next page displays the use of all administrative resources (including general operating expenses) for FY 2014 in terms of the programs we administer or support. Although the DI program comprises only 15.9 percent of the total benefit payments we make, it consumes 23.8 percent of annual administrative resources. Likewise, while the SSI program comprises only 5.7 percent of the total benefit payments we make, it consumes 32.9 percent

of annual administrative resources. State disability determination services decide whether the claimants for DI and SSI disability benefits are disabled. In addition, disability determination services perform continuing disability reviews of individuals receiving DI and SSI disability payments to ensure continued entitlement to benefits. The FY 2013 use of administrative resources by program was 27.7 percent for the OASI program, 24.0 percent for the DI program, 32.1 percent for the SSI program, and 16.2 percent for Other.



## SSA'S SHARE OF FEDERAL OPERATIONS

The programs we administer constitute a large share of the total receipts and outlays of the Federal Government, as shown in the chart to the right. Receipts for our programs in FY 2014 represented 31.0 percent of the \$3.0 trillion in total Federal receipts, a decrease of 1.7 percent over last year. Outlays increased by 0.8 percent to 25.9 percent of Federal outlays as SSA beneficiaries received a 1.5 and 1.7 percent COLA increase in FY 2014 and FY 2013 respectively.



## OVERVIEW OF SOCIAL INSURANCE DATA

Table of Key Social Insurance Measures <sup>1</sup> (Dollars in Billions)			
Statement of Social Insurance Old-Age, Survivors, and Disability Insurance (calendar year basis)			
	2014	2013	2012
Present value of future net cashflows <sup>2</sup> for current and future participants over the next 75 years (open group measure), current year valuation	-\$13,330	-\$12,294	-\$11,278
Present value of future net cashflows <sup>2</sup> for current and future participants over the next 75 years (open group measure), prior year valuation	-\$12,294	-\$11,278	-\$9,157
Change in present value	-\$1,035	-\$1,016	-\$2,121

1. Totals do not necessarily equal the sum of rounded components.

2. Future net cashflows are estimated over the appropriate 75-year period.

**Statement of Social Insurance:** As displayed on page 48, the Statement of Social Insurance presents the following estimates:

- The present value of estimated future noninterest income to be received from or on behalf of current participants who have attained retirement eligibility age and the estimated future cost of providing scheduled benefits to those same individuals;
- The present value of estimated future noninterest income to be received from or on behalf of current participants who have not yet attained retirement eligibility age and the estimated future cost of providing scheduled benefits to those same individuals;
- The present value of estimated future noninterest income less estimated future cost for the closed group, which represents all current participants who attain age 15 or older in the first year of the projection period, *plus* the asset reserves in the combined OASI and DI Trust Funds as of the beginning of the valuation period;
- The present value of estimated noninterest income to be received from or on behalf of future participants and the cost of providing scheduled benefits to those same individuals; and
- The present value of estimated future noninterest income less estimated future cost for the open group, which represents all current and future participants (including those born during the projection period) who are now participating or are expected to eventually participate in the OASDI programs, *plus* the asset reserves in the combined OASI and DI Trust Funds as of the beginning of the valuation period.

The magnitude of the present value of estimated future net cashflows (estimated noninterest income less estimated cost) for all current and future participants over the next 75 years (open group measure) increased when changing to the new valuation period. The magnitude of the present value changed from \$12.3 trillion, as of January 1, 2013, to \$13.3 trillion, as of January 1, 2014. Including the asset reserves in the combined OASI and DI Trust Fund decreases this open group measure, in magnitude, to \$10.6 trillion for the 75-year valuation period.

The present value of estimated future net cashflows for all current participants over the next 75 years, *plus* the asset reserves in the combined OASI and DI Trust Fund as of the beginning of the period, is, in magnitude, \$25.1 trillion (closed group measure). Including future participants over the next 75 years decreases this value, in magnitude, and results in an open group measure of \$10.6 trillion.

**Statement of Changes in Social Insurance Amounts:** The Statement of Changes in Social Insurance Amounts displayed on page 49 reconciles the change (between the current valuation period and the prior valuation period) in the present value of estimated future noninterest income less estimated future cost for current and future participants (the open group measure) over the next 75 years. This reconciliation identifies those components of the change that are significant and provides reasons for the changes.

**From January 1, 2013 to January 1, 2014:** The present value as of January 1, 2014 decreased (became more negative) by \$0.5 trillion, due to advancing the valuation date by one year and including the additional year, 2088. Changes for this valuation period, and their effects on the present value of estimated future net cashflows, are as follows:

- Changes in demographic data, assumptions, and methods increased the present value of estimated future net cashflows by \$0.2 trillion;
- Changes in economic data, assumptions, and methods decreased the present value of estimated future net cashflows by \$0.6 trillion;
- Changes in programmatic data, assumptions, and methods decreased the present value of estimated future net cashflows by about \$0.1 trillion; and
- Changes to legislation decreased the present value of estimated future net cashflows by less than \$0.1 trillion.

Significant changes made for the current valuation included:

- The ultimate annual rate of change in the Consumer Price Index for Urban Wage Earners and Clerical Workers is assumed to be 2.7 percent per year in the current valuation period, compared to 2.8 percent per year in the previous valuation period;
- Projected labor force participation rates for the older population are slightly lower for the current valuation in order to better reflect the difference in participation rates between never-married and married populations and the projected improvement in life expectancy; and
- The effects of the Supreme Court's decision in the *United States v. Windsor* case.

**From January 1, 2012 to January 1, 2013:** The present value as of January 1, 2013 decreased (became more negative) by \$0.5 trillion, due to advancing the valuation date by one year and including the additional year, 2087. Changes for this valuation period, and their effects on the present value of future net cashflows, are as follows:

- Changes in demographic data, assumptions, and methods decreased the present value of estimated future net cashflows by \$0.7 trillion;
- Changes in economic data, assumptions, and methods decreased the present value of estimated future net cashflows by \$0.3 trillion;
- Changes in programmatic data, assumptions, and methods increased the present value of estimated future net cashflows by about \$1.0 trillion; and
- Changes from legislation decreased the present value of estimated future net cashflows by \$0.6 trillion.

Significant changes made for this valuation period included:

- Final mortality data for 2008 and 2009, which led to lower starting levels and a faster rate of decline for death rates over the next 25 years;
- Modeling the insured status of citizens and legal permanent residents separately from other immigrants; and
- The effects of the *American Taxpayer Relief Act of 2012*.

## OASI AND DI TRUST FUND SOLVENCY

### PAY-AS-YOU-GO FINANCING

The OASI and DI Trust Funds are deemed solvent as long as asset reserves are sufficient to finance program obligations in full and on a timely basis. Such solvency is indicated, for any point in time, by the maintenance of positive OASI and DI Trust Fund asset reserves. In recent years, current income has exceeded program obligations for the OASDI program; therefore, the combined OASI and DI Trust Fund asset reserves have been growing. The table on the following page shows that OASI and DI Trust Fund asset reserves, expressed in terms of the number of months of program obligations that these asset reserves could finance, has been declining slowly, from 42.5 months at the end of FY 2010, to 41.2 months at the end of FY 2011, to 40.1 months at the end of FY 2012, and to estimated values of 38.8 and 37.1 months at the end of FYs 2013 and 2014, respectively. The historical values shown in the table for the DI Trust Fund have declined in recent years because expenditures have increasingly exceeded income. This trend is projected to continue in FY 2013 and 2014.



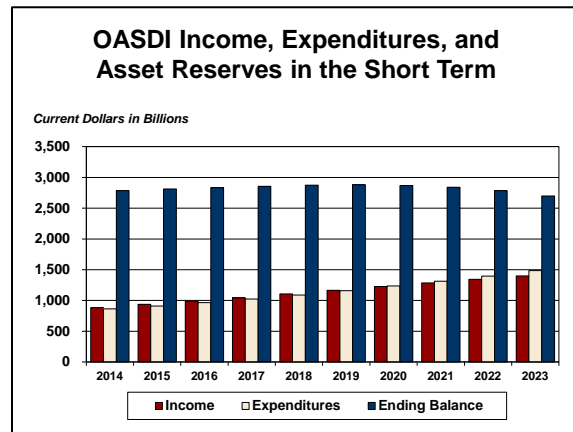
Number of Months of Expenditures Fiscal-Year-End Asset Reserves Can Pay <sup>1</sup>					
	2010	2011	2012	2013	2014
<b>OASI</b>	48.0	47.1	46.3	45.1	43.5
<b>DI</b>	17.1	14.0	11.1	8.3	5.5
<b>Combined</b>	42.5	41.2	40.1	38.8	37.1

1. Computed as 12 times the ratio of end-of-year asset reserves to outgo in the following fiscal year.

Note: Values for FYs 2013 and 2014 are estimates based on the intermediate set of assumptions of the 2014 Trustees Report.

## SHORT-TERM FINANCING

A trust fund for a program is deemed adequately financed for the short term when actuarial estimates of its asset reserves for the beginning of each calendar year are at least as large as the program's obligations for the year. Estimates in the 2014 Trustees Report indicate that, on a theoretical combined basis, the OASI and DI Trust Funds are adequately financed over the next 10 years. While asset reserves in the OASI Trust Fund are more than adequate to cover projected DI Trust Fund cost over the first 10 years of the projection period, the transfer of asset reserves between funds is not allowed under current law. When considered alone, financing of the DI Trust Fund is inadequate, and without remedial action, the fund asset reserves are expected to deplete in 2016. Under the intermediate assumptions of the 2014 Trustees Report, OASDI estimated cost and income for 2023 are 80 percent and 64 percent higher than the corresponding amounts in 2013 (\$823 billion and \$855 billion, respectively). From the end of 2013 to the end of 2023, asset reserves are projected to slightly decrease by 2 percent, from \$2.8 trillion to \$2.7 trillion.



## LONG-TERM FINANCING

Social Security's financing is not projected to be sustainable over the long term with the tax rates and benefit levels scheduled in current law. Program cost will exceed noninterest income in all years of the 75-year projection period. In 2033, the combined OASI and DI Trust Fund asset reserves will be depleted according to the projections by Social Security's Trustees. Under current law, when the DI Trust Fund reserves deplete, full scheduled DI benefits cannot be paid on a timely basis. Similarly, when the OASI Trust Fund reserves deplete, full scheduled OASI benefits cannot be paid on a timely basis. Tax revenues are projected to be sufficient to support expenditures at a level of 77 percent of scheduled benefits after the combined OASI and DI Trust Fund depletion in 2033, declining to 72 percent of scheduled benefits in 2088.

The primary reasons for the projected long-term inadequacy of financing under current law relate to changes in the demographics of the United States: birth rates dropping substantially after 1965, retirees living longer, and baby boomers approaching retirement. In present value terms, the 75-year shortfall is \$10.6 trillion, which is 2.7 percent of taxable payroll and 1.0 percent of Gross Domestic Product over the same period. Some of the possible reform alternatives being discussed – singularly or in combination with each other – are:

- Increasing payroll taxes;
- Slowing the growth in benefits;
- Finding other revenue sources (such as general revenues); or

- Increasing expected returns by investing the OASI and DI Trust Fund asset reserves, at least in part, in private securities.

Significant uncertainty surrounds the estimates for the Statement of Social Insurance. In particular, the actual future values of demographic, economic, and programmatic factors are likely to be different from the near term and ultimate assumptions used in the projections. For more information, pages 90 through 102 contain the *Required Supplementary Information: Social Insurance* disclosures required by the Federal Accounting Standards Advisory Board.

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## LIMITATIONS OF THE FINANCIAL STATEMENTS

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The principal financial statements beginning on page 43 have been prepared to report the financial position and results of operations of the Social Security Administration, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of the Social Security Administration in accordance with generally accepted accounting principles for Federal entities and the formats prescribed by the Office of Management and Budget (OMB), the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

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## SUMMARY OF IMPROPER PAYMENTS INFORMATION

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### BACKGROUND

The *Improper Payments Information Act of 2002* (IPIA), Public Law 107-300, requires Federal agencies to report annually on the extent of the improper payments in programs susceptible to significant improper payments and the actions to reduce such payments.

OMB guidance on IPIA implementation requires us to report improper payment information for the OASI, DI, and SSI programs. We report identified OASI and DI improper payments even though the level of such payments in these programs has continually been well below the threshold cited in IPIA.

President Obama signed the *Improper Payments Elimination and Recovery Act* (IPERA) into law on July 22, 2010. On April 14, 2011, OMB issued implementing guidance for IPERA. IPERA amends IPIA and further increases our accountability, transparency, reporting of improper payments, and reporting on our payment recapture auditing efforts.

### RECOVERY AUDIT PROGRAM

For our OASI, DI, and SSI benefit payments, we meet the payment recapture audit requirements of IPERA through existing program integrity efforts and workloads. Because of our in-house internal controls for improper payments and the complexity of these programs, we have no plans to contract for a private sector payment recapture auditing firm. This approach complies with IPERA requirements for payment recapture audits.

We also use an existing in-house recovery audit program for administrative contractual payments. Our internal recovery audit program complies with OMB guidance and employs a number of tools to aid in the detection and recovery of improper overpayments. To further enhance our internal controls over administrative payments, on November 2, 2011, we awarded a payment recapture audit contingency contract for review of our administrative

payments. We have published the results of the audit in this *Agency Financial Report* and our *FY 2014 Annual Payment Recapture Audit Report* to Congress.

## **AGENCY EFFORTS AND FUTURE PLANS**

We have multiple efforts underway to prevent, detect, and recover our improper payments. As required by IPERA, effective FY 2012, we are also holding managers, program officials, and senior executives accountable for reducing improper payments. For affected employees, their annual performance plans reflect their responsibility to support efforts to maintain sufficient internal controls to prevent, detect, and recover improper payments and meet targets to reduce improper payments.

We use stewardship reviews to measure the accuracy of payments to beneficiaries. Each month, we review a sample of OASI, DI, and SSI cases to determine payment accuracy rates. Stewardship review findings provide the data necessary to meet the IPIA reporting requirements, as well as data for other reports to monitoring authorities. In addition to the combined payment accuracy rates for OASDI, we calculate separate rates for OASI and DI. We also provide payment accuracy rates for current and previous reporting periods.

For the past five years, OASDI payments have been very accurate. However, the sheer magnitude of the payments made in the OASDI program, approximately \$824 billion in FY 2013, means that even a small percentage of error results in substantial improper payments. In FY 2013, the OASDI overpayment accuracy rate was 99.8 percent, representing projected overpayments of \$1.9 billion, and the underpayment accuracy rate was 99.9 percent, or \$1.1 billion in projected underpayments. Each tenth of a percentage point in payment accuracy represents about \$824 million in OASDI program outlays.

In the SSI program, the overpayment accuracy rate increased over a 5-year period, FY 2009 through FY 2013, from 91.6 percent to 92.4 percent. We based the FY 2013 rate of 92.4 percent on overpaid dollars totaling a projected \$4.2 billion. In FY 2013, the SSI underpayment accuracy rate was 98.3 percent based on underpaid dollars totaling a projected \$0.9 billion. Our SSI overpayment accuracy rate was 98.2 percent for FY 2012. For FY 2013, each tenth of a percentage point in payment accuracy represented about \$55.3 million in SSI program outlays.

The following are examples of initiatives to improve payment accuracy in the OASDI and SSI programs. We provide additional information, as well as other corrective actions we have taken, in the *Improper Payments Information Detailed Report* in the *Other Information* section.

### **EXAMPLES OF OASDI IMPROPER PAYMENT INITIATIVES**

- To address errors because of substantial gainful activity (SGA) (Note: [A definition of SGA is available at: www.socialsecurity.gov/oact/cola/sga.html](http://www.socialsecurity.gov/oact/cola/sga.html)), we developed a statistical predictive model that identifies beneficiaries who are at risk of receiving large earnings-related overpayments. The predictive model will help us prioritize staff resources to work high-risk cases first and reduce the amount of work-related overpayments. Evaluation of the predictive model has shown that we are targeting the right population.
- To increase our post-entitlement accuracy, we introduced an inline quality review in four of our processing centers. If we find that our payment and processing accuracy has improved, we will expand its use to the remaining three processing centers in July 2015.

### **EXAMPLES OF SSI IMPROPER PAYMENT INITIATIVES**

- We fully implemented the expansion of our Access to Financial Institutions (AFI) process in October 2013. AFI is an electronic process that verifies bank account balances with financial institutions to identify excess resources. In FY 2013, we further lowered the AFI threshold to verify liquid financial resources and increased undisclosed bank account searches. We are currently evaluating the effect of the lower tolerance on the AFI program.

- We experience continued increased use of the SSI Telephone Wage Reporting (SSITWR) initiative, which we implemented in FY 2008. SSITWR allows recipients (or their parents, spouses, or representative payees) to report their monthly wage amounts via a completely automated system that ensures we receive the wage information timely. As a result of feedback we received during the pilot, we made some minor system improvements prior to our national rollout. In FY 2013, we rolled out the SSI Mobile Wage Reporting Smartphone Application, which allows SSI recipients (or their parents, spouses, or representative payees) to use their smartphones to report prior monthly gross wages by using an application the reporter can download at no charge from the Google Play and Apple App stores.
- In FY 2013, we developed a pilot in 100 of our field offices to identify undisclosed real property owned by SSI recipients. The pilot will provide information on cost savings and the feasibility of expansion to other field offices. We are currently analyzing the data from the pilot. The pilot results will determine our next steps for expansion.

# SYSTEMS AND CONTROLS

## MANAGEMENT ASSURANCES

### FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT ASSURANCE STATEMENT FISCAL YEAR 2014

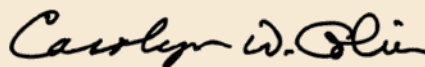
Management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the *Federal Managers' Financial Integrity Act* (FMFIA). We assessed the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Internal Control*. Based on our evaluation, we can provide reasonable assurance that our internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2014 was operating effectively, and we found no material weaknesses in the design or operation of the internal controls.

Our financial statement auditors found that we made significant progress in strengthening controls over our information systems to address the significant deficiency cited last year. However, in accordance with the *Federal Information Security Management Act* (FISMA), we are reporting that Grant Thornton, LLP cited the remaining deficiency in our information systems controls as a significant deficiency under FISMA. FISMA requires that we report this finding as a material weakness under FMFIA and an instance of a lack of substantial compliance with the *Federal Financial Management Improvement Act* (FFMIA) if related to financial management systems.

We do not agree that the significant deficiency rises to the level of a material weakness under FMFIA. We do not believe the identified deficiency adversely affects our ability to meet the internal control objectives of FMFIA as noted by the assurances provided in this statement. We also believe the identified finding does not affect our ability to meet the FFMIA requirements to maintain financial systems that substantially comply with Federal financial system requirements, applicable Federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level. As we do with all auditor findings, we will continue to aggressively pursue a risk-based corrective action plan to address the remaining deficiency and build on our progress to date.

In accordance with the requirements of OMB Circular No. A-123, Appendix A, we assessed the effectiveness of internal control over financial reporting, which includes internal control related to the preparation of our annual financial statements, safeguarding of assets, and compliance with applicable laws and regulations governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements. The result of this evaluation provides reasonable assurance that our internal control over financial reporting was operating effectively as of September 30, 2014.

We also conduct reviews of financial management systems. Based on the results of these reviews, we can provide reasonable assurance that our financial management systems comply with the applicable provisions of the FMFIA as of September 30, 2014.



Carolyn W. Colvin  
Acting Commissioner  
November 10, 2014

## AGENCY FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT PROGRAM

We have a well-established, agency-wide management control and financial management systems program as required by the *Federal Managers' Financial Integrity Act* (FMFIA). We accomplish the objectives of the program by:

- Integrating management controls into our business processes and financial management systems at all organizational levels;
- Reviewing our management controls and financial management systems controls on a regular basis; and
- Developing corrective action plans for control weaknesses and monitoring those plans until completion.

Our managers are responsible for ensuring effective internal control in their areas of responsibility. We require senior-level executives to submit an annual statement to the Acting Commissioner providing reasonable assurance that functions and processes under their areas of responsibility were functioning as intended and that there were no major weaknesses that would require reporting, or a statement indicating they could not provide such assurance. This executive accountability assurance provides an additional basis for the Acting Commissioner's annual assurance statement.

Our Executive Internal Control Committee, consisting of senior managers, ensures our compliance with FMFIA and other related legislative and regulatory requirements. If we identify a major control weakness, the Executive Internal Control Committee determines if the weakness is a material weakness that they would need to forward to our agency head for a final determination on whether to report a material weakness.

We incorporate effective internal controls into our business processes and financial management systems through the life cycle development process. We incorporate the necessary controls into the user requirements, certify the controls are in place by having management review the new or changed processes and systems, and test the controls prior to full implementation to ensure they are effective.

We identify management control issues and weaknesses through audits, reviews, studies, and observation of daily operations. We conduct internal reviews of management and systems security controls in our administrative and programmatic processes and financial management systems. These reviews evaluate the adequacy and efficiency of our operations and systems, and provide an overall assurance that our business processes are functioning as intended. The reviews also ensure management controls and financial management systems comply with the standards established by FMFIA and Office of Management and Budget (OMB) Circular Nos. A-123 and A-130.

Please refer to the Summary of Financial Statement Audit and Management Assurances located in the *Other Reporting Requirements* section for more information.

## MANAGEMENT CONTROL REVIEW PROGRAM

In compliance with OMB Circular No. A-123, we have an agency-wide review program for management controls in our administrative and programmatic processes. The reviews encompass our business processes, such as enumeration, earnings, claims and post-entitlement events, and debt management. We conduct these reviews at our field offices, processing centers, hearings offices, and at the State disability determination services. These reviews indicate our management control review program is effective in meeting management's expectations for compliance with Federal requirements.



## FINANCIAL MANAGEMENT SYSTEMS REVIEW PROGRAM

The agency maintains a financial management systems inventory and conducts reviews of the financial management systems to ensure they meet Federal requirements. In addition to our financial systems, we also include all major programmatic systems in this financial management systems inventory. On a five-year cycle, an independent contractor performs detailed reviews of our financial management systems. During fiscal year (FY) 2014, the results of these reviews did not disclose any significant weaknesses that would indicate noncompliance with laws, Federal regulations, or Federal standards.

## FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT

The Acting Commissioner determined that our financial management systems were in substantial compliance with the *Federal Financial Management Improvement Act* for FY 2014. In making this determination, she considered all the information available, including the auditor's opinion on our FY 2014 financial statements, the report on management's assertion about the effectiveness of internal controls, and the report on compliance with laws and regulations. She also considered the results of our management control reviews and financial management systems reviews conducted by our independent contractor.

Please refer to the Summary of Financial Statement Audit and Management Assurances located in the *Other Reporting Requirements* section for more information.

## FINANCIAL STATEMENT AUDIT

The Office of the Inspector General (OIG) contracted with Grant Thornton, LLP for the audit of our FY 2014 financial statements. The auditor found we present fairly the basic financial statements, in all material respects, in conformity with accounting principles generally accepted in the United States of America for Federal entities.

In this year's financial statement audit, Grant Thornton cited a significant deficiency in our information systems controls in its opinion on internal control over financial reporting. We concur with the recommendations. We will continue to pursue a risk-based corrective action plan to address the remaining deficiency, and build on our progress to date.

Grant Thornton also found deficiencies in our calculation, recording, and prevention of overpayments that, when aggregated, it considered a significant deficiency and provided recommendations to remediate the deficiencies. We concur with the recommendations and will continue to improve our benefit payment oversight.

Please refer to the *Auditor's Reports* section for more information on the auditors' findings and our plans to correct the findings.

Grant Thornton reported its finding of significant deficiency in information systems controls as a significant deficiency under the *Federal Information Security Management Act* (FISMA). We acknowledge the finding identified by Grant Thornton and reported it in accordance with OMB Memorandum M-15-01.

## FEDERAL INFORMATION SECURITY MANAGEMENT ACT

FISMA requires Federal agencies to ensure adequate security protections for Federal information systems and information. Under this act, Federal agencies must submit annual FISMA reports to OMB. This year's report is due by November 14, 2014. Our report summarizes the results of our security reviews of major information systems and programs, our progress on meeting the Administration's cybersecurity priorities, and the results of other work performed during the reporting period using OMB's performance measures. During FY 2014, we strengthened our information security program by implementing and improving our management controls to correct deficiencies cited by our Inspector General in our prior year financial statement audit. For the FY 2014 financial statement audit,

Grant Thornton identified a significant deficiency in our information systems and cited this finding as a significant deficiency under FISMA.

## **FINANCIAL MANAGEMENT SYSTEMS STRATEGY**

Over the years, we have worked hard to improve our financial management practices. We continue to develop new initiatives to enhance the existing financial and management information systems. Our actions demonstrate discipline and accountability in the execution of our fiscal responsibilities as stewards of the Social Security programs. Going forward, our goal is to achieve government-wide and internal financial management milestones established for improvement.

Annually, we review and update our financial management systems inventory to reflect the most recent status of our systems modernization projects. We categorize our inventory of 12 financial management systems under the broad categories of Program Benefits, Debt Management, or Financial/Administrative and continue the long-term development of our financial management systems following a defined strategy. For example, in the Program Benefits category, we are streamlining systems and incorporating new legislative requirements.

In the Debt Management category, we continue to enhance our systems to recover program debt. We developed the External Collection Operation (ECO) system to select and refer our delinquent program overpayments to the Department of the Treasury (Treasury) for recovery through the Treasury Offset Program (TOP), for credit bureau reporting, and for Administrative Wage Garnishment. Since 2010, we have worked to improve the ECO system through a three-phased approach. Phase I, implemented in July 2010, enabled us to collect delinquent Supplemental Security Income debts from a population of debtors previously excluded from the automated ECO selection process. We implemented Phase II of the ECO Enhancements in May 2012. Phase II allows us to select debts 10 years or more delinquent for referral to TOP, as authorized by Public Law 110-246 and 31 U.S.C. 3716. Phase III, implemented in September 2013, allows us to collect delinquent debts by offsetting eligible State payments through TOP.

We are now working to improve our ECO system through the ECO Address Verification project and the ECO Modernization project. The ECO Address Verification project will verify the address of newly selected delinquent debtors before sending the ECO pre-offset notice. This project will allow us to reach a larger percentage of our debtors on our initial attempt to notify them of a potential offset of a Federal or State payment. The ECO Modernization project will enable ECO to select and store debts at an individual debt level rather than at the record level and ensure that we are referring all of our eligible delinquent debt to Treasury for collection.

For the Financial/Administrative systems category, OMB Memorandum M-10-26 provided guidance on dividing financial system implementation projects into smaller, simpler segments with clear deliverables, focusing on the most critical business needs first, and having ongoing, transparent project oversight. Since the inception of the Social Security Online Accounting and Reporting System (SSOARS) project, our approach to implementation, modernization, and maintenance has been, and will continue to be, consistent with these principles.

SSOARS is a federally certified accounting system based on Oracle Federal Financials and consists of core accounting, payables, and receivables. SSOARS produces management information reports and provides real-time integration with administrative and programmatic systems. SSOARS was the first Federal agency accounting system to successfully achieve Federal Financials Release 12, and SSOARS has been upgraded to Release 12.1.3, the most recent release of the software. To provide functionality necessary to comply with new Treasury reporting requirements, in FY 2014 we completed implementation of the Government-wide Treasury Account Symbol Adjusted Trial Balance System in SSOARS.

We implemented a new subsystem, the Social Security Electronic Remittance System (SERS), to collect administrative fees in all field offices. SERS fits our agency's vision to eliminate cash transactions, use card swipe and check scanner technology, and adopt processes that are prevalent throughout the banking and retail sectors. SERS is fully integrated with SSOARS and Treasury systems that track collection activity. The phased rollout of

SERS to the field offices is underway, and we plan to complete the full nationwide rollout by the end of the December 2014.

Finally, we continued to replace the outdated and unsupported technology used for the SSOARS Financial Information System (FIS). SSOARS FIS is used agency-wide to access the spending data recorded in SSOARS. The new technology will feature:

- Improved security;
- Faster access to the homepage for new users;
- Fewer forms, tabs, and links for easier navigation; and
- Simplified report queries with user-configurable forms.

We expect to complete the implementation in December 2014.

We plan to replace the SSOARS infrastructure with state-of-the-art servers that will consolidate software programs and consume less energy. We acquired a portion of this new hardware and expect to complete the full acquisition in time for the SSOARS move to the new National Support Center in Urbana, Maryland.

## **NATIONAL ANTI-FRAUD COMMITTEE**

For many years, our regional offices have successfully collaborated with regional OIG agents and local law enforcement on regional anti-fraud committees (RAFC). On April 3, 2014, the Acting Commissioner approved and signed a charter that reinstituted the National Anti-Fraud Committee (NAFC), co-chaired by the Inspector General and our Deputy Commissioner for Budget, Finance, Quality, and Management. The NAFC leads and supports national and regional strategies to combat fraud, waste, and abuse. Support includes, but is not limited to, the following:

- Providing an open forum for agency senior executives to collaborate and develop agency-level strategies to address fraud challenges;
- Considering best practices, benchmarking, and new or evolving technology and analytical techniques to help prevent and detect fraud;
- Ensuring that the agency addresses the most critical vulnerabilities related to fraud;
- Evaluating potential anti-fraud initiatives introduced by the RAFCs, workgroups, and employee suggestions; and
- Visibly demonstrating the agency's commitment to combatting fraud and fostering public confidence in the stewardship of our programs.

Since inception, the NAFC has met regularly to discuss our various anti-fraud initiatives and strategies. On September 18, 2014, the NAFC co-chairs hosted a National Anti-Fraud Conference. The goal of the National Anti-Fraud Conference was to establish and maintain synergy among the NAFC and RAFCs to jointly combat fraud, waste, and abuse. Discussions involved ways the NAFC, RAFCs, and OIG communities can collaborate and partner on important initiatives, communicate lessons learned, and use our resources effectively.

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